

# Strategic report

Following legislative changes in August 2013, medium and large charitable companies must now include a strategic report within the trustees' annual report. This is with effect from financial periods ended September 2013.

The changes are largely presentational, with strategic information that was formerly required in the trustees' annual report now sitting in the strategic report. The strategic report replaces the business review and should meet three main objectives:

- to provide context for the related financial statements;
- to provide an analysis of past performance; and
- to provide insight into the main objectives and strategies, and the principal risks it faces and how they might affect future prospects.

## The strategic report must include the following:

- A fair review of the organisation. This must be a balanced and comprehensive analysis of the development and performance of the organisation during the financial year, and the position of the organisation at the end of that year, consistent with its size and complexity.
- A description of the principal risks and uncertainties facing the organisation.
- The review must, to the extent necessary for an understanding of the development, performance or position of the organisation, include analysis using financial key performance indicators.
- Large companies must also include analysis using non-financial KPIs.
- Where appropriate, there should be references to and additional explanations of amounts included in the company's annual accounts.

The report may also optionally include other information, including that which is required to be elsewhere in the trustees' annual report, if the trustees consider it to be of strategic importance.

Charitable companies which must prepare a strategic report may restructure their trustees' annual report to allow the information required in a strategic report to be presented as a separate section.

For example, the trustees' annual report could be structured as follows:

- Reference and administrative details of the charity, its trustees and advisors
- Structure, governance and management
- Objectives and activities
- **Strategic report** including:

- Achievements and performance
- Financial review
- Plans for future periods
- Principal risks and uncertainties
- Funds held as custodian trustees on behalf of others

### Company size thresholds\*

A company meets the qualifying conditions where two or more of the following are met:

	Turnover	Gross assets	Employees
Small	Not more than £6.5 million	Not more than £3.26 million	Not more than 50
Medium	Not more than £25.9 million	Not more than £12.9 million	Not more than 250
Large	Greater than £25.9 million	Greater than £12.9 million	Greater than 250

\*A company qualifies as small or medium in its first accounting period if it fulfils the conditions in that period. In any subsequent period a company must fulfil the conditions in that period and the period before.